

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGR-01 AID-05 CEA-01 CIAE-00  
COME-00 EB-08 EA-10 FRB-03 INR-10 IO-13 NEA-10  
NSAE-00 ICA-11 OPIC-03 SP-02 TRSE-00 LAB-04  
SIL-01 OMB-01 SS-15 STR-07 L-03 ACDA-12 OIC-02  
DODE-00 PA-01 PM-05 DOTE-00 FMC-01 CG-00 DLOS-09  
OES-09 /160 W

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R 132124Z JUL 78  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC 4821  
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PASS COMMERCE FOR MARAD

BRUSSELS ALSO FOR MARATT S. OROSZ

E.O. 11652: N/A  
TAGS: EWWT, OECD  
SUBJECT: JULY 11-12 MEETING OF WP-6 ON SHIPBUILDING

SUMMARY: WP-6 MET JULY 11 AND 12 TO REVIEW SUPPLY/  
DEMAND FORECAST SPECIALLY FOR TANKER TONNAGE; DISCUSSED  
MEMBER COUNTRY MEASURES TO REDUCE CAPACITY; HEARD TRADE  
UNION ADVISORY COMMITTEE MAKE REPRESENTATION ON BEHALF  
OF SHIPYARD WORKERS AND REVIEWED  
DEVELOPMENTS ON THE GENERAL AGREEMENT FOR PROGRESSIVE  
REMOVAL OF OBSTACLES TO NORMAL COMPETITION CONDITIONS  
IN THE SHIPBUILDING INDUSTRY AND OF THE UNDERSTANDING  
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ON EXPORT CREDITS FOR SHIPS. WP MEETS NEXT ON  
OCT 12-13. STEPHEN OROSZ (MARATT) WAS U.S. OBSERVER.  
END SUMMARY

1. REPORT BY THE CHAIRMAN OF THE SUB-GROUP  
ON SUPPLY AND DEMAND: THE SWEDISH DELEGATE (EKSTROM)  
ACTING AS CHAIRMAN OF THE SUPPLY/DEMAND

SUBGROUP GAVE A BRIEF REPORT OF ITS JULY 10 MEETING. THAT MEETING WAS PRIMARILY DEVOTED TO A DISCUSSION OF AVAILABLE FORECASTS. A SWEDISH FORECAST WHICH WILL NOT BE PUBLISHED FORSEES THE CURRENT IMBALANCE LASTING AT BEST UNTIL THE MID-1980'S AND POSSIBLY BEYOND. ALTHOUGH CERTAIN REFORMS ADOPTED BY THE WORLD'S MAJOR SHIP-BUILDING NATIONS MAY BEGIN TO HELP, A FORECASTED DECLINE IN THE RATE OF GROWTH FOR OIL MOVEMENTS IN THE 1980'S MAY CONTINUE TO DEPRESS THE DEMAND FOR NEW TONNAGE. THE SWEDISH FORECAST PREDICTS THE RATE OF GROWTH IN OIL MOVEMENTS BETWEEN 1980-1985 TO BE 2 TO 4 PERCENT AND BETWEEN ZERO TO ONE PERCENT FOR 1985-1990. BEYOND 1990 A SLIGHT DECLINE IS FORECAST. BOTH GERMANY AND JAPAN ARE DEVELOPING NEW MARKET FORECASTS WHICH WILL BE PRESENTED TO THE SUBGROUP BY THE END OF THE YEAR.

2. MEASURES TAKEN IN MEMBER COUNTRIES:

(A) THE JAPANESE DEL (YANAI) DISCUSSED A NEW JAPANESE LAW WHICH WAS PASSED ON MAY 15, 1978, DESIGNED TO FACILITATE INDUSTRY ADAPTATION TO NEW CONDITIONS. UNDER THIS LAW A SHIPPING AND SHIPBUILDING RATIONALIZATION COUNCIL WILL ADVISE THE MINISTER OF TRANSPORT WHO WILL DEVELOP THE BASE PLAN IDENTIFYING TYPE AND EXTENT OF FACILITIES TO BE ELIMINATED. IN ADDITION, THE NEW LAW PROVIDES FOR ESTABLISHMENT OF A CREDIT FUND WHICH LIMITED OFFICIAL USE

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WILL GUARANTEE LIABILITIES OF AFFECTED INDUSTRIES, BUT PROVIDE NO DIRECT SUBSIDIES. IF THESE MEASURES ARE NOT SUFFICIENT, THE MINISTER OF TRANSPORT WITH AGREEMENT OF THE JAPANESE FAIR TRADE COMMISSION CAN DEVELOP ADDITIONAL MEASURES. DETAILED PLANS OF THE NEW LAW WILL BE PRESENTED AT THE NEXT MEETING.

(B) THE EEC DEL (DE JONGE) RESPONDED THAT JAPANESE EFFORTS TO DATE HAVE LEFT THEIR SHIPBUILDING INDUSTRY WITH A CAPACITY OF ALMOST 5 MILLION GRT PER YEAR WHICH HE CONTENDED IS TOO MUCH. WITH WORLD DEMAND FORECAST AT 10-11 MILLION GRT AND 5 MILLION GRT PRODUCTION FOR JAPAN AND 4-5 MILLION FOR THE REST OF THE WORLD,

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EUROPE WILL BE LEFT WITH ONLY 1-2 MILLION GRT. IT WAS  
SUGGESTED THAT JULY 25 EEC MEETING ON SHIPBUILDING  
EXAMINE GUIDELINES FOR STREAMLINING THE INDUSTRY. TO  
THIS THE JAPANESE DEL RETORTED THAT THE COMMUNITY  
SHOULD TELL OF ITS OWN PLANS; TO DISCUSS ONLY JAPAN IS  
"NOT IN THE SPIRIT OF COOPERATION."

(C) THE SWEDISH DEL NOTED THAT AT A JUNE 15,  
1978, PRESS CONFERENCE THE GOS OUTLINED THE DIRECTION  
OF A BILL WHICH IS BEING INTRODUCED IN PARLIAMENT DEAL-  
ING WITH THE COMPLETE RESTRUCTURING OF THE SWEDISH  
SHIPBUILDING INDUSTRY. UNDER THIS PROPOSAL, OF THE  
FIVE MAJOR SWEDISH SHIPYARDS, ONLY TWO (KOCKUMS AND  
UDDEVAL) WILL CONTINUE NEW COMMERCIAL SHIPBUILDING,  
ALBEIT AT A LOWER LEVEL. TWO OTHERS (ARENDALS AND THE  
GOTHENBERG CITY YARD) WILL BE REORGANIZED AS A NEW  
COMPANY AND WILL CONCENTRATE ON SHIP REPAIR AND OTHER  
WORK. THE FIFTH YARD (ORESUND) WILL BECOME A HEAVY  
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INDUSTRY SITE. AS A RESULT OF THIS PROPOSED  
RESTRUCTURING, EMPLOYMENT IN THE SWEDISH SHIPBUILDING  
INDUSTRY, WHICH HAD ALREADY DRAGGED 20 PERCENT SINCE  
1974, WILL LOSE ANOTHER 8,900 JOBS OUT OF THE  
PRESENT WORKFORCE OF 21,000. TO ASSIST THIS RESTRUC-  
TURING, AN INDUSTRIAL DEVELOPMENT CORPORATION WAS

ESTABLISHED WHICH WILL PROVIDE LOANS AND CREDIT GUARANTEES. SPECIAL EFFORTS TO RETRAIN EMPLOYEES AND TO ALLEVIATE REGIONAL IMPACT WILL ALSO BE UNDERTAKEN.

(D) THE NORWEGIAN DEL (SORBOTTEN) DESCRIBED A RECENT MEASURE PASSED BY PARLIAMENT WHICH PROVIDES GUARANTEES AND A TEN PERCENT SUBSIDY TO NORWEGIAN SHIP-OWNERS. THE EXPORT OF SHIPS TO DEVELOPING COUNTRIES WILL CONTINUE ON A LIMITED BASIS. EFFORTS TO CONVERT SHIPYARDS IS WELL UNDERWAY. IN ADDITION, THE NUMBER OF EMPLOYEES WORKING ON NEW SHIPS WILL BE REDUCED BY AN UNSPECIFIED NUMBER. IT APPEARS THAT THESE MEASURES WILL BE INADEQUATE AS NEW ORDERS FOR 1978 ARE RUNNING AT HALF THE RATE FOR 1977.

(E) THE NETHERLANDS DEL DESCRIBED ACTIVITIES OF THE SPECIAL ADVISORY COMMITTEE WHICH SPECIFIED A 30 PERCENT REDUCTION IN CAPACITY. OF THE EIGHT YARDS AROUND ROTTERDAM, TWO WILL HANDLE NAVAL WORK EXCLUSIVELY, TWO WILL BE CLOSED IN THE NEAR FUTURE (PROBABLY THIS YEAR), ONE WILL FABRICATE SECTIONS FOR OTHER YARDS AND THREE WILL CONTINUE CONSTRUCTION BUT AT REDUCED LEVELS. AS A RESULT, COMMERCIAL SHIPBUILDING CAPACITY WILL BE CUT MORE THAN 50 PERCENT WHILE THE NUMBER OF JOBS WILL DROP FROM THE PRESENT 10,000 TO 5,000 BY NEXT YEAR. THE FUTURE OF SHIPBUILDING IN AMSTERDAM HAS NOT YET BEEN DECIDED, BUT IT WILL PROBABLY BE LIMITED TO LIMITED OFFICIAL USE

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THE FABRICATION OF SECTIONS FOR OTHER YARDS.

(F) THE BRITISH DEL (WALMSLEY) IN DESCRIBING RECENT ACTIONS IN THE UK ATTEMPTED TO RESPOND TO CERTAIN QUESTIONS ABOUT SUBSIDIES RAISED BY THE JAPANESE DEL. THE SITUATION IN THE UK DIFFERED FROM JAPAN IN THAT THE UK SHIPBUILDING BASE HAD NOT EXPANDED MUCH. AS A RESULT, IT HAD A FIVE YEAR BACKLOG ON ITS ORDER BOOKS IN 1974. THUS THE HIGH LEVEL OF SHIPBUILDING ACTIVITY IN THE UK IS DECEPTIVE. FOR THE PAST FOUR YEARS, HE SAID, NEW ORDERS HAVE BEEN NO MORE THAN 25 PERCENT OF CAPACITY. SINCE 1974, 22 PERCENT OF THE COMMERCIAL SHIPBUILDING JOBS HAVE BEEN LOST -- SOME OF WHICH WERE REDIRECTED TO NAVAL SHIPBUILDING. WITH REGARD TO SUBSIDIES, THE UK HAS SUPPORTED AND WILL CONTINUE TO SUPPORT THE GENERAL GUIDELINES. UK SUBSIDIES ARE FOR THE PURPOSE OF MAINTAINING A SHIPBUILDING BASE, NOT IN GATHERING A DISPROPORTIONATE SHARE OF THE MARKET. HE FURTHER NOTED THAT THE UK SHIPBUILDING BASE HELPS SUPPORT NAVAL REQUIREMENTS AND NATO. SPECIFIC CORPORATE PLANS WILL BE OUT IN THE NOT TOO DISTANT

FUTURE.

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(G) THE FRENCH DEL (BARBAROUX) STRONGLY DEFENDED FRENCH ACTIONS. FRENCH YARDS ARE NOW OPERATING AT 60 PERCENT CAPACITY. THE NUMBER OF FRENCH SHIPYARDS HAS BEEN REDUCED FROM 16 IN 1960 TO SIX TODAY. SINCE FOR YEARS FRANCE WARNED OF THE IMPENDING GLUT, THEY CONSIDER IT INEQUITABLE THAT THOSE WHO HAVE PLANNED SHOULD HAVE TO PAY THE PRICE FOR THOSE WHO HAVE EXPANDED. NEVERTHELESS, THE FRENCH POLICY OF LIMITING CAPACITY WILL CONTINUE.

3. TRADE UNION ADVISORY COMMITTEE (TUAC): TUAC REPS PRESENTED A LONG AND SOMEWHAT PASSIONATE PLEA FOR ACTION TO SAFEGUARD JOBS IN THE SHIPBUILDING INDUSTRY. THEY VIEW THE KEYS TO ANY INDUSTRY RESTRUCTURING AS JOB PROTECTION AND SOCIAL RESPONSIBILITY. THEY ADDED ADAPTATION SHOULD NOT BE BASED ON CURRENT LOW LEVELS OF DEMAND AS THE SITUATION WILL EVENTUALLY IMPROVE,  
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HOPEFULLY IN A FEW YEARS. TUAC CITED AN UNIDENTIFIED FORECAST SPECIFYING A 50 PERCENT INCREASED DEMAND FOR SHIP TONNAGE BY 1985; TO MAKE DRASTIC CUTS IN EMPLOYMENT WHEN THE WORST MAY SOON BE OVER IS IRRESPONSIBLE. SPECIFIC TUAC PROPOSALS INCLUDED WORKING PARTY 6 EXPANDING ITS MANDATE TO COVER SHIP REPAIR AND OECD SURVEYING MEMBER COUNTRIES ON AN END TO OVERTIME, EARLY RETIREMENT, AND OTHER STEPS TO MAINTAIN EMPLOYMENT.

4. GENERAL AGREEMENT FOR THE PROGRESSIVE REMOVAL OF OBSTACLES TO NORMAL COMPETITIVE CONDITIONS IN THE SHIPBUILDING INDUSTRY: IT WAS AGREED THAT THE SECRETARIAT WOULD SHORTLY SOLICIT FROM MEMBERS OF WP-6 PAPERS PROVIDING CERTAIN BASIC STATISTICS AS WELL AS A GENERAL PRESENTATION OF POLICIES NOW IN EFFECT. THESE PAPERS WILL FORM THE BASIS FOR FUTURE DISCUSSIONS AT THE NEXT MEETING. THE JAPANESE DEL OPINED THAT THE GENERAL AGREEMENT ADOPTED IN 1972 DOES NOT FULLY REFLECT CURRENT CONDITIONS. THEREFORE, ARTICLE 7 SHOULD BE MADE MORE CLEAR.

5. UNDERSTANDING ON EXPORT CREDITS FOR SHIPS: THE SECRETARIAT STATED THAT IT DID NOT HAVE SUFFICIENT TIME TO CONCLUDE ITS WORK ON THIS MATTER. A STUDY ON HARMONIZATION IS NOW BEING PREPARED AND WILL BE AVAILABLE BEFORE THE END OF JULY. IT WILL BE REVIEWED IN MID-SEPTEMBER BY A SELECT NUMBER OF DELEGATES (JAPAN, ONE FROM THE EEC AND ONE FROM SCANDINAVIA) WHO WILL DRAW UP PROCEDURES FOR THE WP-6 REVIEW.

6. LONG TERM OBJECTIVES: A REPORT ON THIS SUBJECT WILL BE READY FOR THE NEXT MEETING.

7. OTHER BUSINESS: A SUGGESTION BY THE JAPANESE DEL  
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THAT WP-6 SHOULD CONSIDER NAVAL CONSTRUCTION AS NAVAL VESSELS ARE OFTEN BUILT IN THE SAME YARDS WAS STRONGLY OPPOSED BY THE UK AND ALSO, TO A LESSER EXTENT, BY ITALY AND GERMANY.

8. THE NEXT MEETING OF WP-6 IS TENTATIVELY SCHEDULED FOR OCT 12-13, WITH A MEETING OF THE SUPPLY/DEMAND SUBGROUP SET FOR OCT 11.  
SALZMAN

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## Message Attributes

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